

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 IO-10 NEA-09 NSAE-00 OPIC-06

SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01 ERDA-07

DODE-00 FEAE-00 FPC-01 H-02 INT-05 L-02 NSC-05 PM-03

SAM-01 OES-05 SS-15 STR-04 AGR-10 /139 W

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R 211142Z FEB 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6869

INFO AMEMBASSY ANKARA

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BERN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS PARIS 04563

E.O. 11652: N/A

TAGS: ENRG OECD FR

SUBJ: PREFERENTIAL TAX TREATMENT FOR PETROCHEMICAL
FEEDSTOCKS.

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REF: STATE 29471

1. FEEDSTOCK COSTS TO FRENCH PETROCHEMICAL MANUFACTURERS ARE KEPT AS LOW AS POSSIBLE THROUGH SEVERAL FORMS OF GOF AND EC TREATMENT, NAMELY:

(A) GOF WAIVES ALL INTERNAL TAXATION, INCLUDING TVA, FOR PETROLEUM AND NATURAL GAS PRODUCTS USED AS FEEDSTOCKS BY PETROCHEMICAL INDUSTRY. AS CRUDE OILS ENTER EC DUTY FREE, THIS MEANS THAT FEEDSTOCK PURCHASERS PAY NO DUTY OR TAX. ACTUAL EXCISE TAX WAIVERS, HOWEVER, ARE NOT SUBSTANTIAL IN PRACTICE AS MOST PRODUCT CATEGORIES NORMALLY USED AS FEEDSTOCK CARRY SMALL OR NO TAX BURDEN EVEN FOR OTHER USES. TVA WAIVER IS ONLY MARGINALLY MORE ADVANTAGEOUS TO PETROCHEMICAL FIRMS THAN NORMAL PAYMENT/REBATE SYSTEMS FOR INDUSTRIAL RAW MATERIALS, AS IT REQUIRES LESS WORKING CAPITAL.

(B) GOF SYSTEM OF ADMINISTRATIVELY-DETERMINED PETROLEUM PRODUCT PRICES IS SKEWED TO KEEP FEEDSTOCK PRICES AS LOW AS POSSIBLE; HENCE RECENT COMPLAINTS OF LOCAL REFINERS WHO HAVE ARGUED THAT NAPHTHA PRICES SET TOO LOW FOR ECONOMIC RETURN TO THEM.

(C) CXT, AS WE UNDERSTAND IT, IS WAIVED ON ALL

PETROLEUM PRODUCTS IMPORTED INTO EC COUNTRIES FOR DIRECT FEEDSTOCK USE. (THIS FACTOR NOT PARTICULARLY SIGNIFICANT HERE HOWEVER AS MOST FEEDSTOCKS FOR FRENCH PETROCHEMICAL MANUFACTURERS ARE PURCHASED FROM FRENCH REFINERIES).

STONE

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NNN

Message Attributes

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Disposition Approved on Date:
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Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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